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IHS Markit Singapore PMI®

Business output falls at strongest rate in seven years during August

Key findings

Business activity impacted by soft demand conditions

Firms taper input purchasing; employment growth eases

Year-ahead outlook remains subdued

Singapore's private sector economy weakened during August, according to August PMI data. Demand was impacted by softer conditions in domestic and overseas markets, leading firms to reduce output at the sharpest rate in seven years. Global economic uncertainty and sluggish demand weighed on sentiment towards year ahead, with confidence at an historical subdued level. As a result, employment growth eased, while purchasing activity and inventories were reduced.

The IHS Markit Singapore PMI® is compiled by IHS Markit from survey responses from a panel of around 400 private sector companies. The headline PMI is a composite single-figure indicator of economic performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases. Any figure greater than 50.0 indicates overall improvement of the economy.

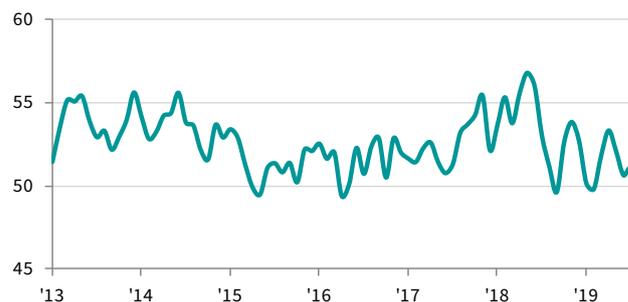
The IHS Markit Singapore Purchasing Managers' Index™ (PMI) dropped to 48.7 in August, from 51.0 in July, thereby signalling a contraction in the private sector economy for the first time since February. Moreover, the PMI recorded its lowest reading in seven years and was markedly weaker than the second quarter average (52.0).

According to panellists, inflows of new work fell in August, reflecting softer conditions across both domestic and foreign markets. Total new business declined at the sharpest rate since April 2016, while export demand eased for the second time in four months amid lower sales to clients in Europe, China and Hong Kong.

Lower order book volumes led businesses to reduce activity levels in August for the first time in nearly one year. A subdued marketplace and a lack of new projects also reportedly curbed output. Although the rate of decline was moderate, it was the

continued...

Singapore PMI
sa, >50 = improvement since previous month



Source: IHS Markit.

Comment

Commenting on the latest survey results, Joe Hayes, Economist at IHS Markit, said:

"August PMI data for Singapore highlighted that, worryingly, there is further room to the downside following the growth slump seen in the second quarter. Output declined at the fastest rate in seven years at the midway point of Q3."

"Singapore's exposure to the broad-based slowdown in global trade remains a notable risk. The concern is that domestic conditions are beginning to suffer, as panellists reported lower sales to Singapore-based clients. Total new orders fell for the first time in nearly one year in August."

"While a monetary policy loosening bias is becoming increasingly adopted across the APAC region, which could provide some demand-driven relief, anecdotal evidence from surveyed firms indicate that there are increasing concerns towards prospects for the domestic economy. Based on PMI data for the third quarter so far, chances of a growth rebound appear to be limited."

fastest for seven years.

Latest survey data highlighted that businesses were relatively downbeat towards future output prospects in August, as optimism was among the weakest seen over the past two-and-a-half years. A combination of difficult global trading conditions, economic uncertainty and domestic weakness underpinned the subdued outlook.

With intakes of new business falling, outstanding orders declined in August and at the fastest rate since the survey began in 2012. In line with subsiding capacity pressures, employment growth slowed for a second successive month and was only marginal overall. Unfavourable demand reportedly led some companies to trim payroll numbers. Nonetheless, increased recruitment of part-time staff supported mild jobs gains.

Lower output requirements contributed to inventory depletion and cutbacks to input purchasing in August. In both cases, rates of reduction gathered pace and were marked overall.

On a positive note, input cost inflation slowed to a slight pace in August amid a fall in labour expenses. That said, purchase prices continued to rise, with panellists reporting higher market prices for certain raw materials. To protect profit margins, output charges were lifted for a sixth successive month, albeit only modestly.

Employment Index

sa, >50 = growth since previous month



Source: IHS Markit.

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Methodology

The IHS Markit Singapore PMI® is compiled by IHS Markit from responses to questionnaires sent to purchasing managers in a panel of around 400 private sector companies. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. The sectors covered by the survey include manufacturing, construction, wholesale, retail and services.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index™ (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

August 2019 data were collected 12-23 August 2019.

For further information on the PMI survey methodology, please contact economics@ihsmarkit.com.

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Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends. To learn more go to ihsmarkit.com/products/pmi.html.